

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Story City, Iowa.

The City's receipts totaled \$4,343,141 for the year ended June 30, 2013, a two percent decrease from 2012. The receipts included \$1,034,301 in property tax, \$735,317 from tax increment financing collections, \$1,117,523 from charges for service, \$445,253 from operating grants, contributions and restricted interest, \$365,551 from capital grants, contributions, and restricted interest, \$385,850 from local option sales tax, \$42,269 from unrestricted investment earnings, and \$217,077 from other general receipts.

Disbursements for the year totaled \$9,214,460, a one hundred eight percent increase from the prior year, and included \$3,991,911 for debt service, \$2,161,900 for capital projects, and \$888,969 for public safety. Also, disbursements for business type activities totaled \$726,172 .

A copy of the audit report is available for review in the City Clerk's office, in the office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/index.html>.

CITY OF STORY CITY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Story City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Jensen	Mayor	Jan 2014
Dwayne Fihr	Council Member	Jan 2016
Valaree Muhlenburg	Council Member	Jan 2016
Becky Watson	Council Member	Jan 2016
Dave Sporleder	Council Member	Jan 2014
Jeffrey Crisman	Council Member	Jan 2014
Mark Jackson	Administrator	
Dena Nichols	Clerk/Treasurer	
Fred A. Larson	Attorney	

City of Story City

CLINE, DEVRIES & ALLEN, LLP

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements of the City's primary government listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Story City as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Story City, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Story City as of and for the year ended June 30, 2013 on the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Story City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented management's discussion and analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

The other information, the budgetary comparison of information on pages 27-29 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2013 on our consideration of the City of Story City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Story City's internal control over financial reporting and compliance.

October 28, 2013
Ames, Iowa

City of Story City

Basic Financial Statements

City of Story City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 888,969	37,880	-	-
Public works	411,518	52,197	328,938	75,677
Health and social services	21,000	-	-	-
Culture and recreation	545,582	64,906	80,146	6,725
Community and economic development	93,359	-	5,862	-
General government	374,049	-	17,844	-
Debt service	3,991,911	-	12,236	-
Capital projects	2,161,900	-	227	283,149
Total governmental activities	8,488,288	154,983	445,253	365,551
Business type activities:				
Water	382,297	549,458	-	-
Sewer	342,059	366,245	-	-
Stormwater drainage	1,816	46,837	-	-
Golf Course	-	-	-	-
Total business type activities	726,172	962,540	-	-
Total	\$ 9,214,460	1,117,523	445,253	365,551
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Special assessments				
Local option sales tax				
Mobile home tax				
Hotel/motel tax				
Utility replacement tax				
Franchise fees				
Unrestricted interest on investments				
Loan repayments				
Rent				
Bond/Note proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery Perpetual Care				
Expendable:				
Streets				
Urban renewal purposes				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(851,089)	-	(851,089)
45,294	-	45,294
(21,000)	-	(21,000)
(393,805)	-	(393,805)
(87,497)	-	(87,497)
(356,205)	-	(356,205)
(3,979,675)	-	(3,979,675)
(1,878,524)	-	(1,878,524)
(7,522,501)	-	(7,522,501)
-	167,161	167,161
-	24,186	24,186
-	45,021	45,021
-	-	-
-	236,368	236,368
(7,522,501)	236,368	(7,286,133)
817,903	-	817,903
735,317	-	735,317
216,398	-	216,398
15,064	-	15,064
385,850	-	385,850
552	-	552
100,237	-	100,237
-	-	-
23,598	-	23,598
36,394	5,875	42,269
17,545	-	17,545
39,650	17,690	57,340
7,051,158	-	7,051,158
2,741	-	2,741
60,000	-	60,000
76,888	(76,888)	-
9,579,295	(53,323)	9,525,972
2,056,794	183,045	2,239,839
2,793,833	1,022,000	3,815,833
\$ 4,850,627	1,205,045	6,055,672
\$ 65,880	-	65,880
108,788	-	108,788
430,193	-	430,193
300,314	93,931	394,245
2,295,012	320,060	2,615,072
1,650,440	791,054	2,441,494
\$ 4,850,627	\$ 1,205,045	\$ 6,055,672

City of Story City

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2013

		Special Revenue	
	General	Tax Increment Financing	Hospital Trust
Receipts:			
Property tax	\$ 787,618	-	-
Tax increment financing	-	735,317	-
Other city tax	509,570	-	-
Licenses and permits	12,749	-	-
Use of money and property	43,787	4,182	1,885
Intergovernmental	101,083	-	-
Charges for service	142,239	-	-
Special assessments	-	-	-
Miscellaneous	25,074	700	-
Total receipts	<u>1,622,120</u>	<u>740,199</u>	<u>1,885</u>
Disbursements:			
Operating:			
Public safety	589,320	-	-
Public works	73,029	-	-
Health and social services	21,000	-	-
Culture and recreation	515,904	-	-
Community and economic development	47,033	17,414	28,912
General government	364,939	-	-
Debt service	-	1,996,606	-
Capital projects	-	-	-
Total disbursements	<u>1,611,225</u>	<u>2,014,020</u>	<u>28,912</u>
Excess (deficiency) of receipts over (under) disbursements	<u>10,895</u>	<u>(1,273,821)</u>	<u>(27,027)</u>
Other financing sources (uses):			
Bond/Note proceeds	-	2,375,000	-
Sale of capital assets	-	-	-
Operating transfers in	37,801	4,834	335,000
Operating transfers out	(54,500)	(717,247)	(946)
Total other financing sources (uses)	<u>(16,699)</u>	<u>1,662,587</u>	<u>334,054</u>
Net change in cash balances	(5,804)	388,766	307,027
Cash balances beginning of year	<u>616,051</u>	<u>41,427</u>	<u>327,148</u>
Cash balances end of year	<u>\$ 610,247</u>	<u>430,193</u>	<u>634,175</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	430,193	-
Debt service	-	-	-
Streets	-	-	-
Other purposes	-	-	-
Unassigned	610,247	-	634,175
Total cash basis fund balances	<u>\$ 610,247</u>	<u>430,193</u>	<u>634,175</u>

See notes to financial statements.

Debt Service General Obligation Bonds	Capital Projects	Other Nonmajor Governmental Funds	Total
216,398	30,285	-	1,034,301
-	-	-	735,317
595	72	-	510,237
-	-	-	12,749
849	21,115	21,771	93,589
-	280,149	328,938	710,170
-	-	-	142,239
-	-	15,064	15,064
12,235	23,228	42,133	103,370
230,077	354,849	407,906	3,357,036
-	299,649	-	888,969
-	-	338,489	411,518
-	-	-	21,000
-	-	29,678	545,582
-	-	-	93,359
-	-	9,110	374,049
1,664,756	330,549	-	3,991,911
-	2,161,900	-	2,161,900
1,664,756	2,792,098	377,277	8,488,288
(1,434,679)	(2,437,249)	30,629	(5,131,252)
705,000	3,971,158	-	7,051,158
-	60,000	-	60,000
740,247	87,000	19,333	1,224,215
-	(43,000)	(331,634)	(1,147,327)
1,445,247	4,075,158	(312,301)	7,188,046
10,568	1,637,909	(281,672)	2,056,794
186,513	651,139	971,555	2,793,833
197,081	2,289,048	689,883	4,850,627
-	-	65,880	65,880
-	-	-	430,193
197,081	-	103,233	300,314
-	-	108,788	108,788
-	2,289,048	5,964	2,295,012
-	-	406,018	1,650,440
197,081	2,289,048	689,883	4,850,627

City of Story City
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise Funds				Total
	Water	Sewer	Stormwater Drainage	Golf Course	
Operating receipts:					
Use of money and property	\$ 17,690	-	-	-	17,690
Charges for service	549,458	366,245	46,837	-	962,540
Miscellaneous	-	-	-	-	-
Total operating receipts	567,148	366,245	46,837	-	980,230
Operating disbursements:					
Business type activities	382,297	342,059	1,816	-	726,172
Total operating disbursements	382,297	342,059	1,816	-	726,172
Excess (deficiency) of operating receipts over (under) operating disbursements	184,851	24,186	45,021	-	254,058
Non operating receipts and disbursements:					
Interest on investments	2,543	3,244	88	-	5,875
Excess of receipts over disbursements	187,394	27,430	45,109	-	259,933
Transfers in	20,000	-	-	-	20,000
Transfers out	(19,200)	(40,355)	(37,000)	(333)	(96,888)
Net transfers	800	(40,355)	(37,000)	(333)	(76,888)
Change in cash balances	188,194	(12,925)	8,109	(333)	183,045
Cash balances beginning of year	444,577	579,932	(2,842)	333	1,022,000
Cash balances end of year	\$ 632,771	567,007	5,267	-	1,205,045
Cash Basis Fund Balances					
Restricted for:					
Debt Service	\$ 209,086	-	-	-	209,086
Other purposes	204,905	-	-	-	204,905
Unrestricted	218,780	567,007	5,267	-	791,054
Total cash basis fund balances	\$ 632,771	567,007	5,267	-	1,205,045

See notes to financial statements.

City of Story City

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Story City is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Story City has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Story City Municipal Electric Utility. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Story City (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Story City Municipal Electric Utility is a component unit of the City of Story City and is not presented in these primary government financial statements. They are legally separate from the City, but are financially accountable to the City. The Story City Municipal Electric Utility (Utility) was established to operate the City's electric facilities. The Utility is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utility is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utility in that the

City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Central Iowa Regional Transportation Planning, Trees Forever Board, E911 Service Board and Story County Mayors Group.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Hospital Trust Fund is used for internal loan purposes. To date, it has been used for TIF related projects.

The Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following two major and two discretionary major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Stormwater Drainage fund accounts for the operation and maintenance of the City's stormwater drainage system.

The Golf Course Fund accounts for maintenance of the golf course, which is being leased to a private company.

C. Measurement Focus and Basis of Accounting

The City of Story City maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, community and economic development and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had \$380,957 in U.S. Treasury Notes. The Treasury Notes have the same carrying amount and fair value.

Interest rate risk – The City’s investment policy limits the investment of operating funds in instruments that mature within 397 days. Operating funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City of Story City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing bonds and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Financing Bonds		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	795,604	139,535	70,000	10,941	45,000	122,634	910,604	273,110
2015	806,142	129,880	70,000	9,998	100,000	74,536	976,142	214,414
2016	816,667	118,450	75,000	7,827	100,000	73,886	991,667	200,163
2017	842,203	105,758	75,000	5,502	100,000	72,884	1,017,203	184,144
2018	857,753	90,063	80,000	2,840	100,000	71,884	1,037,753	164,787
2019-2023	1,251,471	244,500	-	-	535,000	333,606	1,786,471	578,106
2024-2028	565,000	71,597	-	-	600,000	272,714	1,165,000	344,311
2029-2033	250,000	17,146	-	-	695,000	184,914	945,000	202,060
2034-2037	-	-	-	-	650,000	61,098	650,000	61,098
Total	\$ 6,184,840	\$ 916,929	\$ 370,000	\$ 37,108	\$ 2,925,000	\$ 1,268,156	\$ 9,479,840	\$ 2,222,193

New Debt

On October 11, 2012, the City issued \$4,080,000 of General Obligation Water Improvement and Refunding Bonds with an interest rate ranging from .35% - 2.70% and annual maturities from June 2014 until June 2022. The net proceeds were used to refund the Urban Renewal Tax Increment Financing Bonds Series 2007B and the General Obligation Corporate Purpose Bonds Series 2007A on June 1, 2013. \$1,000,000 of the proceeds were also deposited into the Water Treatment Plant Project to assist with financing the plant expansion. The remaining funds were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust with an escrow agent to refund the Urban Renewal Tax Increment Financing Bonds Series 2010. As of June 30, 2013, the amount on deposit in the escrow account was \$380,957, which will be used to refund the 2010 TIF bonds on June 1, 2014 when they become callable.

Tax Increment Financing

The Urban Renewal Tax Increment Financing Bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The provisions providing for the issuance of the Urban Renewal Tax Increment Financing Bonds, Series 2010, require a separate Bond Reserve Fund to be created. There shall be set aside and paid into the Reserve Fund from TIF Revenues and other legally available TIF funds of the City on each June 1 and December 1, beginning December 1, 2010, and continuing through June 1, 2012, a sum equal to \$14,250 until there has been accumulated in the Reserve Fund a total amount equal to \$57,000.

As of June 30, 2013, the Reserve Fund has not been established.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,925,000 of water revenue bonds issued in October of 2012. Proceeds from the bonds provided financing for the construction of improvements to the municipal waterworks system. The bonds are payable solely from water customer net receipts and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$2,925,000. For the current year, no principal and interest was paid on the bonds. Total net receipts were \$186,425.

The resolution providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A sum of \$178,600 shall be set aside and paid into a Reserve Fund for the purpose of making principal and interest payments on the Bonds when for any reason the funds in the Sinking Fund are insufficient.
- (d) A sum of \$2,000 on the first day of each month of each year until the balance of \$100,000 is reached shall be deposited into an Improvement Fund. All money credited to the Improvement Fund shall be used solely for the following purposes:
 - 1. To restore a deficiency in the Sinking Fund if sufficient amounts are not available in the Revenue Fund or Reserve Fund.
 - 2. To transfer to the Reserve Fund if any deficiency exists in the Reserve Fund.
 - 3. Not exceeding one-half of the amount required to be paid into the Improvement Fund each month may be used to pay principal and interest on any subordinate revenue bonds issued to pay the cost of making necessary improvements and extensions to the utility.
 - 4. To pay for the cost of capital improvements and extensions to the Utility provided that no deficiency exists in the amounts required to be paid into the Sinking and Reserve Funds.
- (e) Any balance of the Net Revenues in excess of funds specified to be paid into the above funds shall be paid into a Surplus Fund. The Surplus Fund shall be transferred to the Sinking Fund whenever needed to prevent default on payment on any of the Bonds. As long as the Sinking, Reserve and Improvements funds are

in compliance with requirements, any balance in the Surplus Fund may be made available to the City to legally direct the funds.

The City is not in compliance with the provisions of the Water Revenue Bond resolution at June 30, 2013.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years end June 30, 2013, 2012, and 2011 were \$90,261, \$83,027 and \$72,624, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use. A portion of sick leave is payable upon termination of employment if the employee quits or retires after at least ten years of continuous service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 49,737
Sick leave	<u>68,156</u>
Total	<u>\$117,923</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(6) Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Hospital Trust	\$ 946
	Gilbert Library	1,800
	Enterprise: Water	16,950
	Sewer	18,105
		<u>37,801</u>
Debt Service: General Obligations	Special Revenue: Tax Increment Financing	687,247
	Capital Projects	43,000
	Debt Service: Special Assessments	10,000
		<u>740,247</u>
Special Revenue: Insurance	General	4,500
Hospital Trust	Special Revenue: Tax Increment Financing	30,000
Tax Increment Financing	Debt Service: TIF Reserve	4,834
Hospital Trust	TIF Reserve	305,000
Road Use Tax	Special Assessments	10,000
		<u>354,334</u>
Capital Projects	General	50,000
	Enterprise: Storm Water Drainage	37,000
		<u>87,000</u>
Special Revenue: Insurance	Enterprise: Water	2,250
Insurance	Sewer	2,250
Golf Course Trust	Golf Course	333
		<u>4,833</u>
Enterprise: Water Capital Improvement	Enterprise: Sewer	20,000
Total		<u>\$ 1,244,215</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Notes Receivable/Economic Development

During the year ended June 30, 2007, the City entered into a loan for \$36,000 with Record Printing. Original terms of the agreement required monthly payments of principal and interest of \$665 every month starting October 1, 2006 until September 1, 2011. These terms were modified in January of 2009 and only interest was required monthly for January 6, 2009 thru December 6, 2009. Principal and interest payments started again on January 6, 2010 in the amount of \$616 per month. The interest rate is 4.125%. The remaining balance on this loan was all paid off during the fiscal year ended June 30, 2013.

During the fiscal year ended June 30, 2009, the City entered into a loan agreement with MH Eby, Inc. Monthly interest of \$52 is due and payable starting October 5, 2008 thru August 5, 2012. Principal plus interest of \$12,552 is due and payable on September 5, 2012. Thereafter, monthly interest of \$26 shall be due and payable starting September 5, 2012 and continuing thru August 5, 2013. Principal plus interest in the amount of \$12,552 shall be due and payable on September 5, 2013. The balance on the loan at June 30, 2013 was \$12,552.

The City also entered into an agreement with LaFayette Township to purchase a first responder vehicle. The City will advance the purchase price of the vehicle and the cost of equipping it. The Township will repay the City for the Township's 30% share of the cost on or before December 1, 2012 with an interest rate of 2.7%. The Township forgot to make their required payment by December 1, 2012 so they still have a balance on the loan at June 30, 2013 of \$5,370.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$7,047 during the year ended June 30, 2013.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the any of the past three fiscal years.

(10) Landfill

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of Story City of its proportionate share of the net costs of the system for the prior calendar year. The City of Story City will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Story City.

(11) Construction Commitments

The City had the following commitments with respect to unfinished capital projects at June 30, 2013:

<u>Project</u>	<u>Remaining Commitment</u>
Water Treatment Plant project	\$1,611,000
I-35 Business Park Improvements, Phase IV	327,086

(12) Golf Course Lease

On January 1, 2009, the City entered into a lease with River Bend Golf Course LTD which states that River Bend is going to manage and operate the City owned golf course. The lease is a 10 year lease with automatic renewal upon expiration. Starting in January 2012, River Bend will pay the City \$7,500 or 5% of gross revenues for the year, whichever is less. This fee will be paid by January 31st of the following year. No fees will be charged by the City for the first 3 years of operation. In years in which the golf course suffers losses due to flooding, these fees may be waived.

(13) Forgivable Loans

The City received two forgivable loans (\$115,000 and \$300,000) from the Iowa Department of Economic Development (IDED) during the fiscal year ended June 30, 2010. These loans were passed thru to Generation Repair and Service, LLC. Generation Repair and Service, LLC is required to meet certain terms, including fulfillment of job obligations. If the terms of the funding agreements are met, then the IDED will forgive the loans to the City.

(14) Deficit Balances

The Special Revenue Fund, Insurance Account had a deficit balance of \$1,325 at June 30, 2013.

(15) Health Insurance

The City entered into an agreement to partially self-fund employee deductibles and out of pocket maximum payments under their health insurance plan. The deductible for an employee under a single plan is \$500 and for a family plan is \$1,000.

The maximum out of pocket costs for an employee under a single plan is \$1,000 and for a family plan is \$2,000.

The maximum liability to the City is \$1,500 for a single plan and \$3,000 for a family plan.

(16) Rebate Agreements

The City has entered into various rebate agreements to assist in urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met.

The total to be paid by the City under the agreements is \$227,945. \$10,265 was rebated under these agreements during the fiscal year ended June 30, 2013 therefore the remaining balance at June 30, 2013 to be paid is \$217,680.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City.

(17) Litigation

The City is subject to pending litigation seeking damages for loss of reputation, past and future emotional injury, loss of consortium, and other specific damages, plus injunctive relief, punitive damages, attorney fees and costs. The City intends to vigorously contest these claims. The City believes there is a reasonably good probability of a favorable outcome. The potential loss, if any, would appear to be limited to the \$2,000 deductible the City has under their insurance plan.

(18) Subsequent Events

The date through which events occurring after June 30, 2013 have been evaluated for possible adjustment to the financial statements or disclosure is October 28, 2013, which is the date of this report.

Other Information

City of Story City
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 1,049,365	-	1,049,365
Tax increment financing collections	735,317	-	735,317
Other city tax	510,237	-	510,237
Licenses and permits	12,749	-	12,749
Use of money and property	93,589	23,565	117,154
Intergovernmental	710,170	-	710,170
Charges for service	142,239	962,540	1,104,779
Special assessments	-	-	-
Miscellaneous	103,370	-	103,370
Total receipts	3,357,036	986,105	4,343,141
Disbursements:			
Public safety	888,969	-	888,969
Public works	411,518	-	411,518
Health and social services	21,000	-	21,000
Culture and recreation	545,582	-	545,582
Community and economic development	93,359	-	93,359
General government	374,049	-	374,049
Debt service	3,991,911	-	3,991,911
Capital projects	2,161,900	-	2,161,900
Business type activities	-	726,172	726,172
Total disbursements	8,488,288	726,172	9,214,460
Excess (deficiency) of receipts over (under) disbursements	(5,131,252)	259,933	(4,871,319)
Other financing sources (uses), net	7,188,046	(76,888)	7,111,158
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,056,794	183,045	2,239,839
Balances beginning of year	2,793,833	1,022,000	3,815,833
Balances end of year	\$ 4,850,627	1,205,045	6,055,672

See accompanying independent auditors' report.

Budgeted Amounts		Final to
Original	Final	Total Variance
1,038,138	1,038,138	11,227
766,448	766,448	(31,131)
492,565	492,565	17,672
8,970	8,970	3,779
79,500	79,500	37,654
377,500	405,500	304,670
983,880	983,880	120,899
6,000	6,000	(6,000)
112,350	115,850	(12,480)
3,865,351	3,896,851	446,290
539,155	549,155	(339,814)
441,250	451,250	39,732
22,000	22,000	1,000
562,515	564,015	18,433
78,972	88,972	(4,387)
360,385	400,385	26,336
964,129	964,129	(3,027,782)
3,475,000	3,510,000	1,348,100
862,745	862,745	136,573
7,306,151	7,412,651	(1,801,809)
(3,440,800)	(3,515,800)	(1,355,519)
3,495,000	3,571,119	3,540,039
54,200	55,319	2,184,520
3,315,562	3,852,877	(37,044)
3,369,762	3,908,196	2,147,476

City of Story City

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$31,500 and budgeted disbursements by \$106,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, community and economic development, and debt service functions.

Supplementary Information

City of Story City

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2013

	Special Revenue						
	Economic Development Revolving Loan	Police Forfeitures	Road Use Tax	Library Trust	Insurance	Gilbert Library	Golf Course Trust
Receipts:							
Use of money and property	\$ 17,909	2	-	2,119	-	74	5
Intergovernmental	-	-	328,938	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Miscellaneous	668	-	-	5,265	-	36,000	200
Total receipts	18,577	2	328,938	7,384	-	36,074	205
Disbursements:							
Operating:							
Public works	-	-	338,489	-	-	-	-
Culture and recreation	-	-	-	-	-	29,678	-
General government	-	-	-	-	9,110	-	-
Total disbursements	-	-	338,489	-	9,110	29,678	-
Excess (deficiency) of receipts over (under) disbursements	18,577	2	(9,551)	7,384	(9,110)	6,396	205
Other financing sources (uses):							
Operating transfers in	-	-	10,000	-	9,000	-	333
Operating transfers out	-	-	-	-	-	(1,800)	-
Total other financing sources (uses):	-	-	10,000	-	9,000	(1,800)	333
Change in cash balances	18,577	2	449	7,384	(110)	4,596	538
Cash balances beginning of year	145,366	457	108,339	234,618	(1,215)	1,368	401
Cash balances end of year	\$ 163,943	459	108,788	242,002	(1,325)	5,964	939
Cash Basis Fund Balances							
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-
Restricted for streets	-	-	108,788	-	-	-	-
Restricted for other purposes	-	-	-	-	-	5,964	-
Unassigned	163,943	459	-	242,002	(1,325)	-	939
Total cash basis fund balances	\$ 163,943	459	108,788	242,002	(1,325)	5,964	939

See accompanying independent auditors' report.

Debt Service		Permanent Cemetery Perpetual Care	Total
Special Assessments	TIF Reserve		
596	954	112	21,771
-	-	-	328,938
-	-	-	-
15,064	-	-	15,064
-	-	-	42,133
15,660	954	112	407,906
-	-	-	338,489
-	-	-	29,678
-	-	-	9,110
-	-	-	377,277
15,660	954	112	30,629
-	-	-	19,333
(20,000)	(309,834)	-	(331,634)
(20,000)	(309,834)	-	(312,301)
(4,340)	(308,880)	112	(281,672)
107,572	308,881	65,768	971,555
103,232	1	65,880	689,883
-	-	65,880	65,880
103,232	1	-	103,233
-	-	-	108,788
-	-	-	5,964
-	-	-	406,018
103,232	1	65,880	689,883

City of Story City
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water improvement refunding	Jan. 15, 2007	3.70-4.10%	\$ 1,155,000
Annual appropriation development	Mar. 1, 2009	4.00-6.15%	1,115,000
Corporate purpose	Jan. 13, 2011	.90-4.25%	1,870,000
Fire truck loan	Jun. 1, 2012	2.45%	225,000
Water improvement refunding	Oct. 11, 2012	.35-2.70%	4,080,000
Equipment loan	Feb. 1, 2013	0.00%	35,000
Total			
Urban Renewal Tax Increment Financing Bonds:			
Urban Renewal Tax Increment Bonds-Series 2007B	May 15, 2007	4.15-4.95%	\$ 2,500,000
Urban Renewal Tax Increment Bonds-Series 2010	Jan. 14, 2010	1.70-3.55%	570,000
Total			
Other:			
Water anticipation loan notes	Jun. 24, 2011	0.00%	\$ 215,842
Water Revenue Bonds Series 2012A	Oct. 11, 2012	.65-3.75%	\$ 2,925,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 810,000	\$ -	\$ 810,000	\$ -	\$ 32,245	\$ -
935,000	-	100,000	835,000	52,000	-
1,590,000	-	115,000	1,475,000	50,623	-
225,000	-	20,160	204,840	5,390	-
-	4,080,000	410,000	3,670,000	25,504	-
-	35,000	35,000	-	-	-
\$3,560,000	\$ 4,115,000	\$ 1,490,160	\$ 6,184,840	\$ 165,762	\$ -
\$1,780,000	\$ -	\$ 1,780,000	\$ -	\$ 77,303	\$ -
440,000	-	70,000	370,000	13,428	-
\$2,220,000	\$ -	\$ 1,850,000	\$ 370,000	\$ 90,731	\$ -
\$ 215,841	\$ 11,159	\$ 227,000	\$ -	\$ -	\$ -
-	2,925,000	-	2,925,000	-	-
\$ 215,841	\$ 2,936,159	\$ 227,000	\$ 2,925,000	\$ -	\$ -

City of Story City
Bond and Note Maturities
June 30, 2013

Year Ending June 30,							Water Improvement		
	Annual Appropriation		Corporate Purpose		Fire Truck Loan		Refunding		
	Issued Mar 1, 2009		Issued Jan 13, 2011		Issued Jun 1, 2012		Issued Oct 11, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2014	4.90%	100,000	1.60%	105,000	2.45%	20,604	0.45%	570,000	795,604
2015	5.15%	105,000	2.15%	110,000	2.45%	21,142	0.55%	570,000	806,142
2016	5.50%	110,000	2.15%	110,000	2.45%	21,667	0.65%	575,000	816,667
2017	5.70%	120,000	2.90%	115,000	2.45%	22,203	0.85%	585,000	842,203
2018	5.90%	125,000	2.90%	115,000	2.45%	22,753	1.10%	595,000	857,753
2019	6.05%	135,000	3.50%	120,000	2.45%	23,317	1.65%	45,000	323,317
2020	6.15%	140,000	3.50%	125,000	2.45%	23,894	1.65%	50,000	338,894
2021			3.80%	125,000	2.45%	24,486	1.65%	50,000	199,486
2022			3.80%	130,000	2.45%	24,774	2.00%	50,000	204,774
2023			4.10%	135,000			2.00%	50,000	185,000
2024			4.10%	140,000			2.00%	55,000	195,000
2025			4.25%	145,000			2.35%	55,000	200,000
2026							2.35%	55,000	55,000
2027							2.35%	55,000	55,000
2028							2.35%	60,000	60,000
2029							2.70%	60,000	60,000
2030							2.70%	60,000	60,000
2031							2.70%	65,000	65,000
2032							2.70%	65,000	65,000
Total		\$ 835,000		\$1,475,000		\$ 204,840		\$ 3,670,000	6,184,840

Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Bonds	
	Series 2010	
	Issued Jan 14, 2010	
Interest Rates	Amount	
2014	2.45%	70,000
2015	3.10%	70,000
2016	3.10%	75,000
2017	3.55%	75,000
2018	3.55%	<u>80,000</u>
Total		<u>\$ 370,000</u>

See accompanying independent auditors' report.

Year Ending June 30,	Water Revenue Bonds	
	Issued Oct. 11, 2012	
	Interest Rates	Amount
2014	0.65%	45,000
2015	0.65%	100,000
2016	1.00%	100,000
2017	1.00%	100,000
2018	1.50%	100,000
2019	1.50%	105,000
2020	1.85%	105,000
2021	1.85%	105,000
2022	2.10%	110,000
2023	2.10%	110,000
2024	2.40%	115,000
2025	2.40%	115,000
2026	2.60%	120,000
2027	2.60%	125,000
2028	2.80%	125,000
2029	2.80%	130,000
2030	3.00%	135,000
2031	3.00%	140,000
2032	3.25%	140,000
2033	3.25%	150,000
2034	3.25%	155,000
2035	3.75%	160,000
2036	3.75%	165,000
2037	3.75%	170,000
Total		<u>\$ 2,925,000</u>

City of Story City
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:										
Property tax	1,049,365	1,055,244	\$ 993,365	\$ 964,559	\$ 910,698	\$ 870,452	\$ 815,902	\$ 737,182	720,335	\$ 667,167
Tax increment financing collections	735,317	773,895	751,639	759,687	749,438	899,346	998,845	683,605	1,076,649	1,229,827
Other city tax	510,237	520,034	494,595	487,913	514,764	485,347	473,843	422,805	408,444	408,370
Licenses and permits	12,749	8,557	8,991	9,095	12,627	8,660	14,935	12,649	14,964	14,042
Use of money and property	93,589	60,769	86,457	92,850	91,044	132,281	172,571	121,156	86,079	57,274
Intergovernmental	710,170	347,218	732,289	939,970	490,382	352,661	612,109	419,531	630,206	351,606
Charges for service	142,239	139,599	147,379	157,575	158,673	137,977	139,641	128,921	115,112	119,356
Special assessments	-	-	84,359	-	2,202	7,285	21,603	8,138	43,259	25,132
Miscellaneous	103,369	141,955	134,229	102,772	109,605	123,273	79,726	224,252	179,499	59,974
Total	\$ 3,357,035	\$ 3,047,271	\$ 3,433,303	\$ 3,514,421	\$ 3,039,433	\$ 3,017,282	\$ 3,329,175	\$ 2,758,239	3,274,547	\$ 2,932,748
Disbursements:										
Operating:										
Public safety	888,969	500,053	\$ 462,261	\$ 462,292	\$ 475,784	\$ 422,697	\$ 423,161	\$ 382,754	369,443	\$ 410,974
Public works	411,518	393,319	389,527	395,681	448,109	414,110	400,717	370,229	354,287	349,452
Health and social services	21,000	19,500	20,200	19,900	-	-	21,000	-	1,000	971
Culture and recreation	545,582	555,263	567,266	503,476	610,499	580,565	396,949	404,715	392,586	353,434
Community and economic development	93,359	610,277	542,351	380,541	165,509	162,197	242,974	99,198	399,896	265,810
General government	374,049	358,244	331,372	356,833	323,761	329,277	304,198	315,090	369,192	361,520
Debt service	3,991,911	506,013	2,052,479	493,810	802,846	789,916	3,182,355	620,143	1,576,327	521,850
Capital projects	2,161,900	722,463	1,819,362	1,466,632	1,947,569	495,292	3,617,145	1,421,835	984,059	813,526
Business type activities	-	-	-	-	38,543	-	-	-	-	-
Total	\$ 8,488,288	\$ 3,665,132	\$ 6,184,818	\$ 4,079,165	\$ 4,812,620	\$ 3,194,054	\$ 8,588,499	\$ 3,613,964	\$ 4,446,790	\$ 3,077,537

See accompanying independent auditors' report.

City of Story City

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 28, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Story City's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Story City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Story City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified two deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Story City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as A and B in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Story City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Story City's Responses to Findings

The City of Story City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Story City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Story City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 28, 2013
Ames, Iowa

City of Story City
Schedule of Findings
Year ended June 30, 2013

Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Two material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Story City
Schedule of Findings
Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The same person is responsible for authorizing, recording and custody of assets.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- B Records - The City received debt proceeds in the fiscal year ended June 30, 2013 from two separate debt issues that were deposited into an escrow account. From the escrow account, they then retired some outstanding debt early. None of the activity in this escrow account was recorded on the City's books including the debt proceeds, issuance costs, interest earned on the account, or the principal and interest paid on the debt they retired.

Recommendation - The City should account for all City money received and disbursed in their records. A journal entry was made to reflect this activity on the audited financial statements. The City should record all future activity on the escrow account on a monthly basis.

Response - We will do so.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Story City
Schedule of Findings
Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- 1 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, community and economic development, and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so in the future.

Conclusion – Response accepted.

- 2 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 3 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- 4 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jensen Excavating, owned by son of Council Member	Services	\$ 6,297
Central Iowa Televising, owned by Kevin Jacobson, employee	Services	750

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the first individual appear to represent conflicts of interest since total transactions with the individual exceeded \$1,500 during the fiscal year. Transactions with the second individual do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

Recommendation – The City should consult with legal counsel to determine the disposition of this matter.

Response – We will do so.

Conclusion – Response accepted.

City of Story City
Schedule of Findings
Year ended June 30, 2013

5 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

7 Deposits and Investments - No instances of non-compliance with the City's investment policy were noted.

8 Financial Condition - The Special Revenue Fund, Insurance account had a deficit balance at June 30, 2013 of \$1,325.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - We will do so.

Conclusion - Response accepted.

9 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

10 Transfers - The City Council approved a transfer from the Enterprise, Sewer Fund to the Enterprise, Sewer Improvement Fund for \$20,000. When the transfer was actually made, the transfer in was recorded in the Enterprise Water Capital Improvement Fund in error.

Recommendation - The City should make another transfer to correct the original entry so the money is recorded into the proper fund.

Response - We will do so.

Conclusion - Response accepted.

11 Revenue Bonds - The City has not met the minimum amount in the Water Revenue Reserve account as established by the resolution. The City also does not have a Tax Increment Financing Reserve account as required by the debt resolution.

Recommendation - The City should establish the required minimum balances.

Response - We will make the required transfers to bring the account balances up to the minimum amounts as required.

Conclusion - Response accepted.

City of Story City

Schedule of Findings

Year ended June 30, 2013

- 12 **Tax Increment Financing (TIF)** – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds to the County Auditor which qualify for reimbursement as provided in the Code section. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

During the year ended June 30, 2013, the City paid \$100 of paying agent fees from the Special Revenue, Tax Increment Financing Fund. These costs do not represent TIF debt and, accordingly, are not allowable uses of tax increment financing receipts in accordance with Chapter 403.19 of the Code of Iowa.

Recommendation – The City should consult TIF legal counsel to determine the proper disposition of these matters.

Response – We will do so.

Conclusion – Response accepted.